HOTEL WORKOUT METHODS: A SECOND CHANCE FOR OWNERS

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Abstract

This practicum thesis examines a variety of workout concepts that can be utilized by asset managers to alleviate, eliminate and endure distress. From a macro view, many of the assets in distress can trace their present condition back to their acquisition, refinance or development during an approximate two year period between 2006 and 2007. Transactions during this timeframe essentially occurred at the top of the market; peak pricing and proportionately high levels of debt. Similar issues also exist with development projects that were placed into production during that same time period. Present times for many hotel owners now consist of severe debt encumbrances; assets well under water as a result of recessionary effects on operating cash flow. The significance of this problem relates to accumulating capital needs, and places pressure on the owner with respect to their investment decision making. To hold, reposition or fold are the underlying positions an owner must take; the process by which this is evaluated is led by an asset manager.

The practicum thesis will outline a strategic approach to workouts; a framework of methods that pull from key disciplines within real estate including finance, economic analysis, development, and property management. An overview of an actual case study example will be utilized to present further detail on the aforementioned macro issues pertaining to a specific distressed situation. The micro view will also detail the select workout methods deployed by the owner that gave relief to the dire situation, and ultimately resulted in a successful workout. History has a way of repeating itself, therefore the macro issues and micro solutions presented herein will serve as case study guide for present and future asset managers.

Introduction

The capital markets were a major catalyst for hotel transactions between 2005 and 2007, as there were minimal constraints in the hotel lending market. Deal flow was escalating thanks to quick and easy access to debt. The availability of capital fueled acquisitions, refinancing and construction loans. This also brought in preemptive bids, hard money offers, and first time investors. In terms of the historical timeline of events, Real Capital Analytics defines the "peak" of the last cycle as the period of time between fourth quarter 2006 through the third quarter of 2007[1].

Peak	Credit Crunch	Financial Crisis
4Q06 - 3Q07	4Q07 - 3Q08	4Q08 - 1Q09

Each year PKF Hospitality Research surveys the nation's hotel owners, lenders and developers on key investment criteria. The following table presents an overview of historical investment trends, which highlights several underlying factors that have caused trauma in the hotel ownership community of late. High loan-to-value ratios and low interest rates in 2005, 2006 and 2007 are pause concern, which will be further discussed in the following pages.

Table I - Investment Trends in the Hotel Industry

Criteria	2002	2003	2004	2005	2006	2007	2008	2009	2010
OAR	10.9%	11.2%	10.7%	9.7%	8.9%	9.1%	9.4%	10.6%	10.3%
Discount Rate	16.1%	15.9%	14.1%	13.7%	13.3%	12.9%	13.1%	15.1%	15.3%
Hold Period	9.27	7.74	5.67	6.93	6.31	8.24	7.73	8.24	6.75
DCR	1.52	1.47	1.40	1.41	1.39	1.45	1.45	1.45	1.50
Interest Rate	8.2%	7.7%	7.0%	7.2%	7.0%	6.9%	7.0%	7.5%	7.7%
LTV	62.1%	65.2%	68.9%	70.6%	68.5%	69.8%	67.2%	59.0%	56.5%

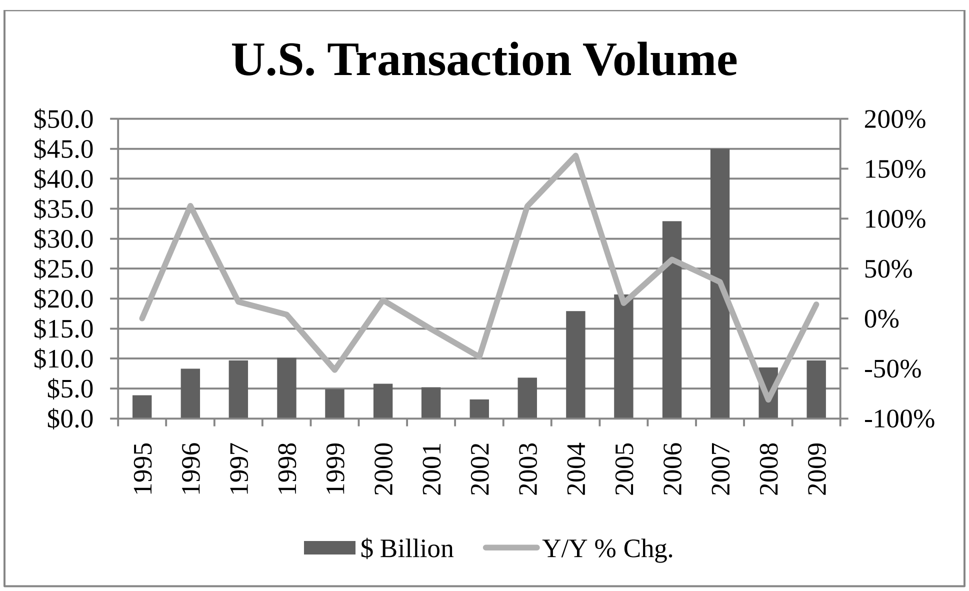
Source: PKF Hospitality Research

Notes: (1) Overall Capitalization Rate, (2) Years, (3) Debt Coverage Ratio, (4) Loan-to-Value Ratio

[1] Real Capital Analytics. (May 2009) *Capital Trends Quarterly*

U.S. Hotel Transaction Volume

By the end of 2005, transaction volume exceeded all previous records but was quickly topped twelve months thereafter and then only to top out in 2007. According to Jones Lang LaSalle's Hotel Investment Highlights (March 2010), U.S Hotel transaction volume reached a record-breaking $45 billion in 2007. The time period between 2005 and 2007 is classified as a period of high liquidity, where the average volume was $32.9 million compared to the preceding ten year average of just $8.0 million[2]. In analyzing the data, it is significant to note that the period between 1996 and 1998 is the only other spike in transaction volume. This period of time coincides with the formation of REITs, where they stepped in to play a crucial financial role in the commercial real estate industry when traditional lending dried up. Prior to 1996 transaction volume had yet to reach $4.0 billion on an annual basis. Clearly, 2006 and 2007 were outliers based on historical trends.



Source: Jones Lang LaSalle Hotels

[2] Jones Lang LaSalle Hotels. (March 2010) *Hotel Investment Highlights*

During the market's peak, previously defined as the fourth quarter of 2006 through third quarter 2007, the hotel buyer composition was heavily weighted towards private equity funds and international investors. These two sources represented over 50 percent of hotel acquisitions. Private players had a capital advantage, as they could pay top dollar for portfolios or single assets given ample cheap debt available to finance transactions. At the same time, REITs were on the sidelines representing a mere 5% of acquisitions. In 2010, markets have changed dramatically and public players (REITs) now clearly have a competitive advantage over private real estate players.

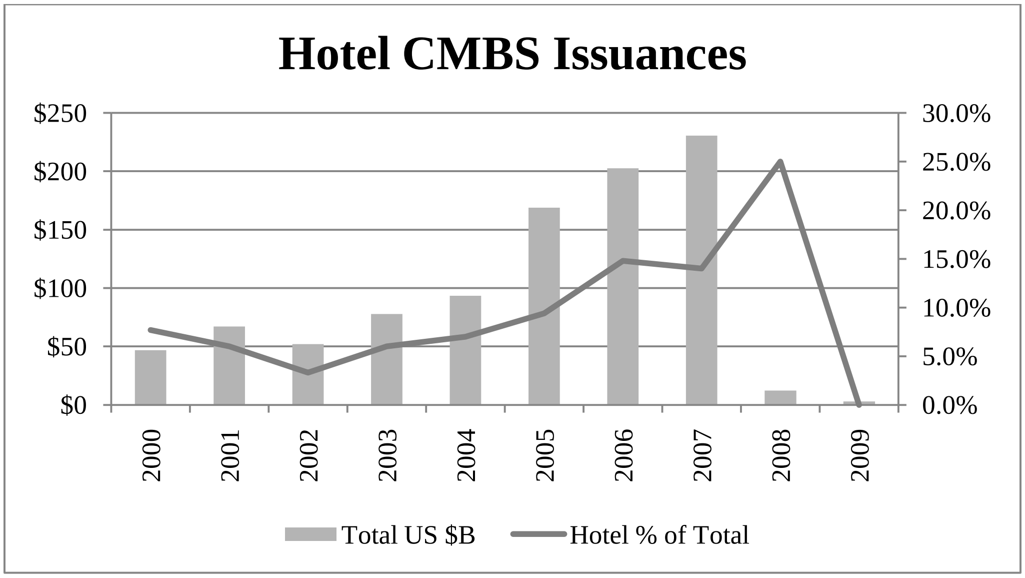
Commercial Mortgage Backed Securities (CMBS)

At the peak of the market, CMBS represented approximately 40 percent of the debt used to acquire or build hotels. These were the preferred credit product in the world of structured finance. Since the third quarter of 2007, CMBS accounted for only 8 percent of acquisition financing and diminished even further to since the onset of the financial crisis in late 2008. U.S. CMBS issuances essentially came to a halt mid-way through 2008. In 2005, 9.4 percent of the total was devoted to hotels, compared to 7.0 percent in 2004[3]. This abundant availability of debt stimulated pricing and volume in the lodging industry. Today, securitized loans account for only 25 percent of total outstanding.

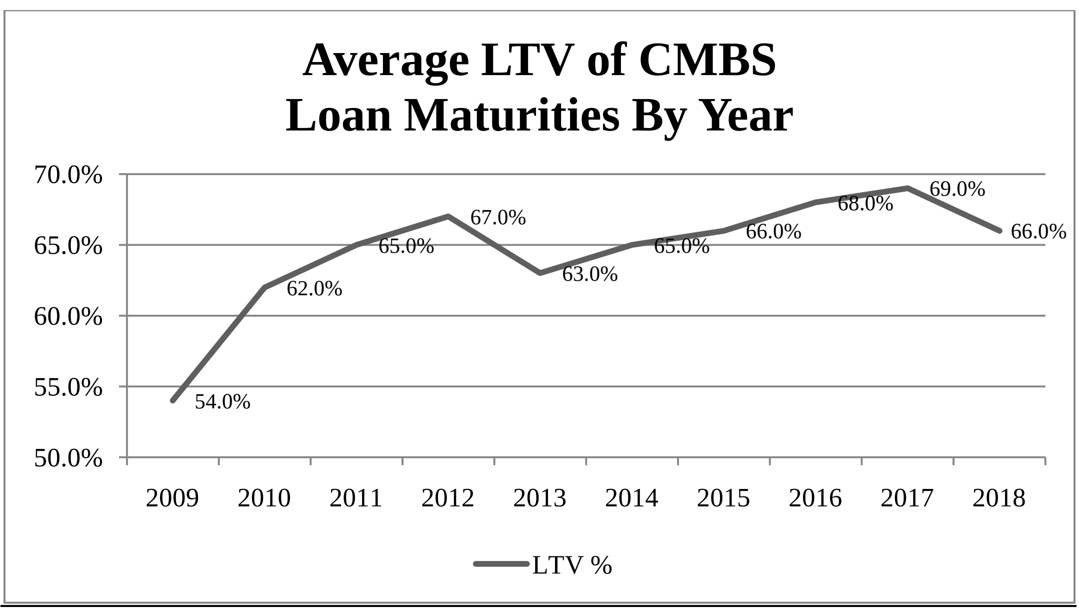
Looking forward as a whole, there is approximately $30 billion in CMBS loan maturities that are concentrated between 2015 and 2017. This amount represents 300 to 400 loan maturities each year. These are likely the 10-year loans originated in the 2006 to 2007 peak period. Nonetheless, nearer term financing needs are still sizable in which extension options and 5-year loan originations at the peak will require some attention in

[3] Jones Lang LaSalle Hotels. (Fall 2006) *Hotel Debt Capital Markets Update*

2011 and 2012. The following charts pinpoint the highpoint of securitized hotel lending in 2006 and 2007, and further identify that CMBS loans originated in 2006 and 2007 have the highest leverage.



Source: Commercial Mortgage Alert, Jones Lang LaSalle



Source: Jones Lang LaSalle Hotels

Routine lending has yet to completely thaw out, therefore making refinancing CMBS loans or any hotel debt extremely difficult. Refinancing risks exists with three common situations for owners today:

1. Maturity – unable to re-finance when in-place debt matures
2. Technical – unable to pass debt-service coverage tests or other covenants
3. Operating – weak fundamentals erodes cash flow below debt-service levels.

These ongoing risks will present many challenges to owners for years to come; therefore developing a clear workout strategy and deploying an arsenal of restructure methods will be required core competencies for asset managers.

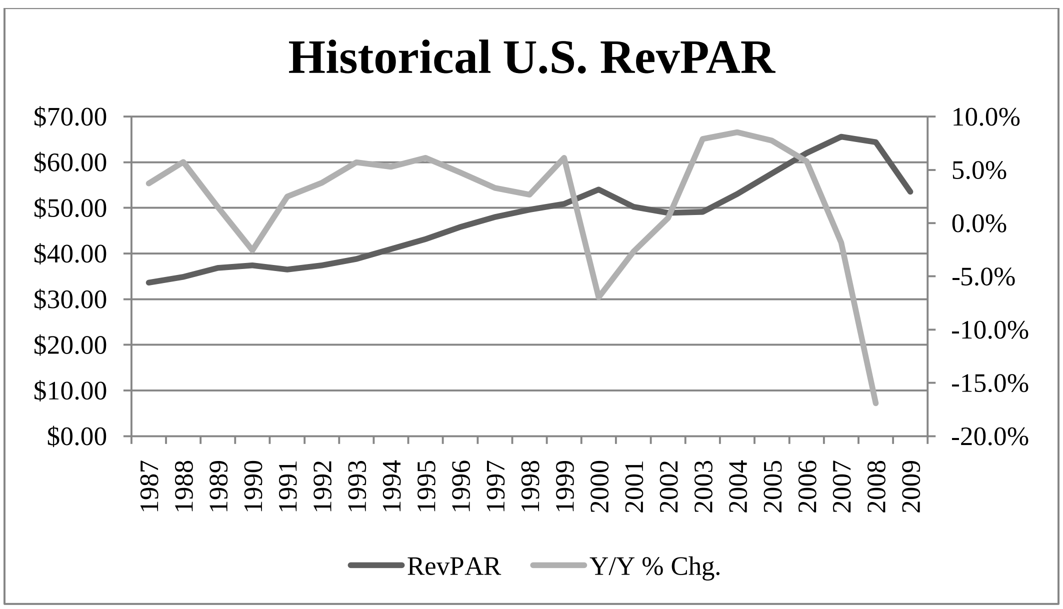
Supply & Demand Fundamentals

The recessionary impact on domestic lodging fundamentals was extremely detrimental to the industry in late 2008. Market demand deteriorated from a multitude of factors related to the economy, including a slowdown in business travel, cut backs in corporate meetings/events and leisure travel. The list of negative demand factors goes on and on. The hotel ownership community feel the majority of the pain during down cycles, that which still lingers today.

RevPAR, or revenue per available room is one of the most widely used key performance indicators for hotel assets. Its calculation, the product of occupancy and rate, is ultimately derived from supply and demand economics. Industry analysts often correlate RevPAR change with U.S. Gross Domestic Product (GDP), a key measure for economic output. There are various segments and sub-segments of lodging demand, but underlying demand drivers include business and leisure travel, airline travel and corporate meetings/events. Again, the list of demand sources can go on and on, but the aforementioned segments typically trend up or down as it relates to economic conditions. The correlation between RevPAR and GDP was further explored by Jeffery J.

Donnelly, a Senior Analyst with Wells Fargo Securities. In his April 13, 2010 research note, Donnelly summarized the outcome from back-testing RevPAR and GDP percentage change over a 22-year period back to 1988. The R-squared between the results of the model and actual RevPAR was 93.4 percent.[4] Therefore, U.S. GDP is a reasonable indicator of future RevPAR performance, and a regression analysis can be a useful analytical tool to assist with valuation.

The following chart presents U.S. RevPAR trends from 1987 through 2009. The data highlights two prior relevant periods of significant RevPAR declines which took place between September 1990 to November 1991 and April 2001 to June 2003. The significance of this data is that history can be used as guide for anticipating of recovering RevPAR and lodging fundamentals[5]. Given the high correlation between lodging demand and macroeconomic factors, asset managers may find this perspective useful in finding light at the end of the tunnel.



Source: Smith Travel Research, JP Morgan

According to Smith Travel Research, the downcycle between September 1990 and November 1991 lasted 15 months in which room supply growth exceeded market

[4] Wells Fargo Securities – Equity Research Department (April 13, 2010) *Pinpointing 2010-11 RevPAR Growth*

[5] J.P. Morgan Securities Inc. – North America Equity Research. (September 4, 2008) *RevPAR: A Look At History*

demand. The next downturn started in April 2001 and lasted 27 months through June 2003. This downcycle was particularly challenging as a result of the detrimental effects of September 11th and subsequent military campaigns in Afghanistan and Iraq had on leisure and business travel. Like the previous downturn, there was a negative supply and demand dynamic and hotel managers slashed rates to maintain occupancy and market-share.

The U.S. Hotel industry ended 2008 with a net 3.2 percent increase in the number of hotel rooms compared to 2007. Supply growth as tailed off since then due to combination of economic and financing-related challenges. It’s fair to estimate that the unprecedented tightening within the capital markets and high levels of economic risk currently plaguing the U.S. hotel industry will result in record levels of attrition in 2010.

Source: Jones Lange LaSalle, Smith Travel Research, Deutsche Bank

In this current downcycle, the first month of negative RevPAR in the U.S. was March 2008. The trends since then seem to indicate that this is a demand-driven downturn. In previous cycles, above average increases in supply eroded RevPAR and hotels decreased room rates as occupancy levels declined. However, as it relates to market conditions today, it is significant to note that the limited access to development capital due to the soft capital markets have either delayed or cancelled new hotel projects, thereby mitigating the impact of new supply. Developers also have seen the headwinds in terms of macroeconomic issues and depressed lodging fundamentals.

Distressed Assets

Troubled assets include situations where a mortgage is delinquent or in default; foreclosure is imminent or in process, a special servicer has been appointed, or where development and construction has stopped before completion. The majority of hotels in distress by both number and value of assets are full-service properties. According to Real Capital Analytics, hotel assets falling into distress totaled $8.0 billion over the first half of 2010, including $1.9 billion back to REO. Over this same period restructurings and resolutions accelerated, totaling $4.1 billion. This compares to with just $834 million in restructurings and resolutions from the first half of 2009. [6]

The financial crisis that started in 2008 triggered the current credit crunch which now inhibits any given hotel owner’s ability to deleverage via asset sales. In 2009, it became increasingly clear to owners that they would have to evaluate their options with respect to holding or giving back the keys of assets under water. In fact, an equity research report from investment bank Stifel Nicolaus supported the notion of giving keys back to lenders. The report concluded that in the case of a certain REIT, the unencumbered portfolio represented only 18 percent of the current portfolio but the net asset value of the unencumbered assets accounted for nearly 60 percent of current the

[6] Real Capital Analytics. (July 22, 2010) *U.S. Hotel Trends Mid Year Review*

share price. This analysis points out how dilutive over-levered assets can be to an owner.[7] However, in 2009 the U.S. Treasury Department relaxed the tax rules on the modification of CMBS loans. Special servicers could be more amenable to workouts which will help delay or limit distress in the hotel real estate market. Clearly this helps owners work with lenders on over-levered assets, and also creates a plethora of good old fashioned asset management work.

Workout Methods

The term workout is often used to describe the various activities undertaken to deal with a borrower who is in financial trouble.[8] There are two fundamental routes to hotel-specific workouts. The first route entails restructuring all or some of the various elements of the loan; the preferable strategy for many lenders rather than foreclosure. The options between the borrower and lender include an extension of the loan term, and modification of the debt terms or outstanding principal. These are efforts in hopes that market conditions improve and the lender can be fully repaid. The second route utilizes an asset management approach, where strategic changes are made to various asset-level factors that which provide a lift to operating performance, and ultimately valuation. The finance and asset management areas of discipline can team up to take a mixed method approach to workouts. The diagram on the following page presents methods under the two workout disciplines, followed by an overview of the strategic approaches to each method.

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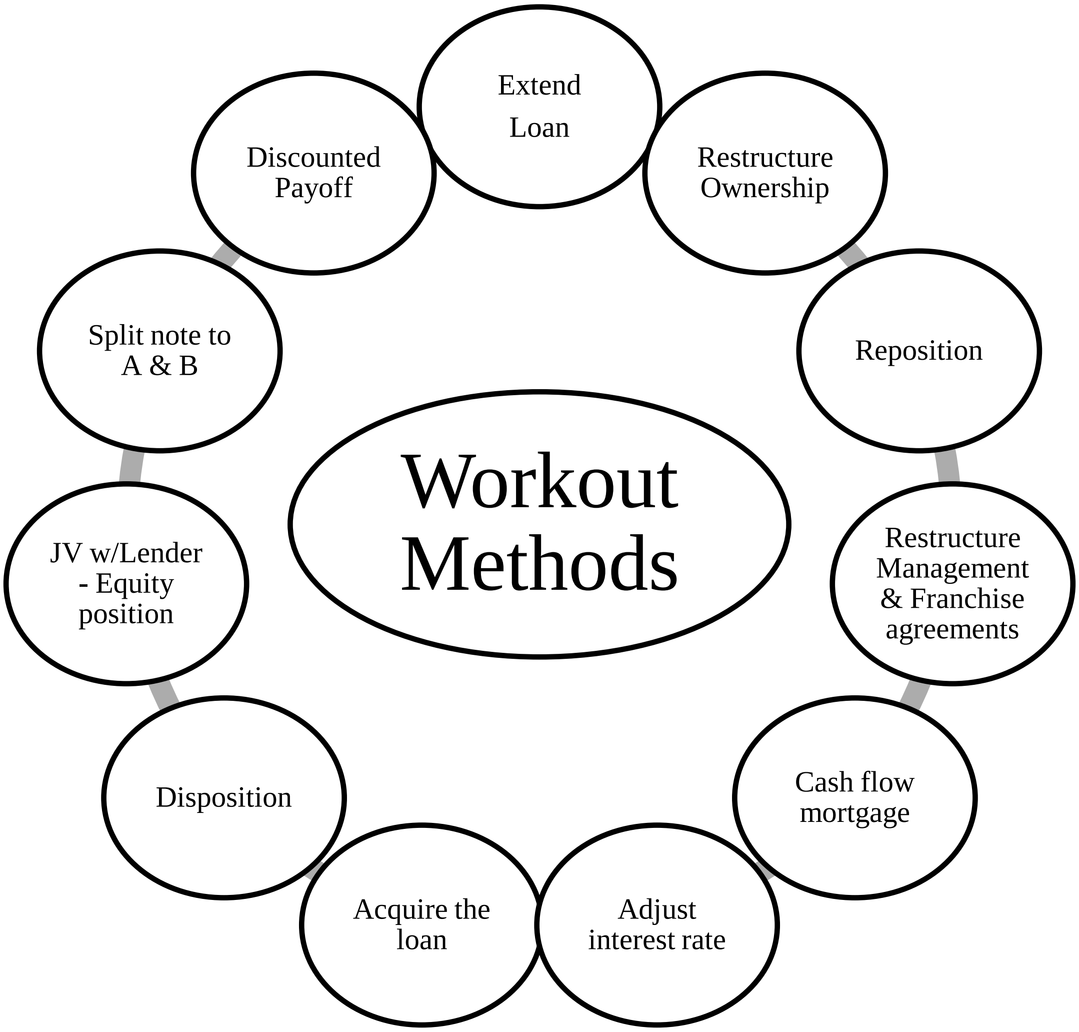
[7] Stifel, Nicolaus & Company Inc. (September 19, 2009) *What Happens If All The Keys Went Back*
[8] Brueggman, W.B., & Fisher, J.D., (2008) Financing: Notes and Mortgages. *Real Estate Finance and Investments* 13th Edition (pp. 25 – 29). McGraw-Hill/Irwin



Role of the Asset Manager

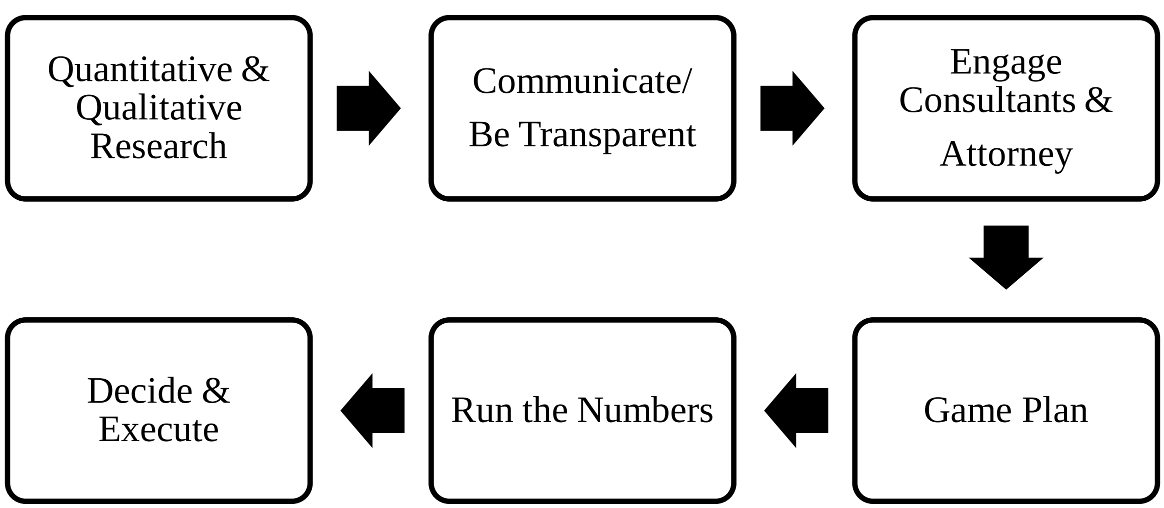
In the context of a distressed situation, the asset manager is responsible for maximizing a hotel’s results during a downturn and planning for a financial restructuring. A key element involves working with managers and brands to provide financial support through reduction or suspension of fees, reserves and other allocated costs. In addition, the main business objectives for an asset manager are:

- Communication between owner, hotel manager and lender.
- Preserve value until markets stabilize, and position for market recovery.

– Execute revenue strategies and cost containment initiatives.
– Prioritize capital needs; disciplined approach to capital allocation.
– Positioning the hotel for recapitalization or disposition.

The asset manager must be proactive; if a hotel is likely to face financial challenges the lender should have an upfront understanding of the business risks and strategic direction of the hotel. The lender is critical of the asset’s market value, physical condition, near and long term capital expenditure needs, use of capital reserves, and repositioning opportunities. Therefore, it is critical for asset managers to convey the underlying asset strategy as it relates to these lender focal points as well as the overall quality and professionalism of the owner’s strategic plan. Ultimately, the lender’s top priorities are to protect the collateral, get repaid at par and avoid any negative public relations.

The following diagram outlines the work flow process of an asset manager, essentially acting as the architect of the workout.



Loan Workouts

In the July 2010 edition of Hotel Business, Arthur de Haast of Jones Lang LaSalle Hotels characterized the situation of lenders today and during the last similar recession. He summarized that in the 1990's; lenders took more decisive and quicker action on troubled and underwater loans. And in retrospect, lenders lost out because they foreclosed too quickly which allowed some to buy at bargains. But the problems are bigger now and more complex. Lenders cannot afford to have a repeat of the '90's.[9] This time, lenders are resistant to repeating history and the cycle is drawn out longer, yet there will certainly be opportunities amongst the challenges. It's significant to note that lenders for the most part are not equipped to receive a hotel asset, and deal with items such as property liability, maintenance and liquor licenses, to name a few.

The operational dynamic of a hotel is fluid, constantly changing by nature of having nightly leases. This example, in its simplest form really explains the significant amount of inherent risk with owning a hotel asset. As an asset manager enters into discussions to rework the loan, they should seek to understand how they can help the lender minimize losses and save the lender from taking on a huge asset management burden. This in turn should help create a mutual benefit between the borrower and lender. It's important to highlight other qualitative reasons to work with lenders rather than simply giving back the keys:

1. Relationship
2. Reputation
3. Responsibility

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[9] Ostrowski, Christopher. (2010, July). Spanning The Globe: JLL's de Haast sees hotel real estate market improving. *Hotel Business*, pp. 8, 49, 50

These three “R’s” are all integral to each other. For example, the borrower need not damage the relationship today in the form of handing over the keys; because there will be a time in the future where they will need capital for a new and different project. Both parties can’t afford negative publicity affecting their reputation. Investor relations are critical, which could impact fund raising for the borrower or shareholder perception for a lender. Both the lender and borrower entered into the loan agreement therefore are responsible for working through distressed issues in a timely manner.

A restructuring of the ownership example would be when the senior lender trades debt for an equity position, or when the mezzanine lender steps into the equity position. The loan can be structured as A and B notes; with the B representing a “hope” note that allows the lender to the right to share the upside upon reversion in exchange for debt service relief for the borrower. The upside can be structured as a percentage of available cash at reversion, assuming that the principal has been fully repaid and the buyer’s equity capital has been returned. This approach is likely the most unique relative to extending the maturity date, discounted payoff or rate adjustment.

The concept of an A and B note structure likely results in a win / win scenario for both parties. Initially, this method mitigates the lender’s near-term economic loss and they avoid negative attention that typically circles troubled deals. Assuming both parties are prepared to endure the remainder of the downtown, the lender would likely be paid off at par during the foreseeable future with the potential for upside, or preferred return. As for the borrower, the debt service payment would be calculated on the A note only which greatly reduces the burden to fund debt service shortfalls. This can be viewed as mitigating the need to call capital to maintain debt coverage. The funds could theoretically be invested into the property to enhance operating cash flow.

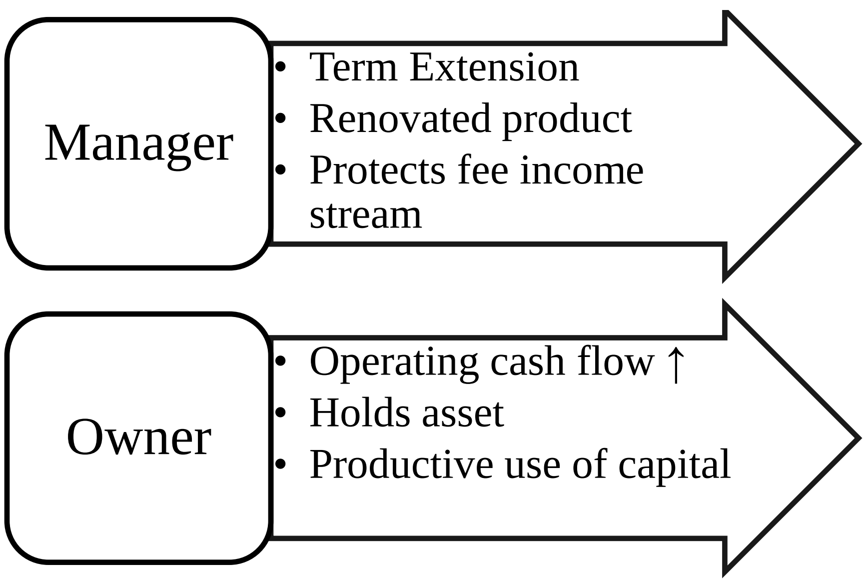
Asset Level Restructuring

The complexities of hotel operations entail a multitude of complicated and interrelated factors that influence property value. After revenue is generated, there's a waterfall related to the cost of operations starting with each operating department, overhead expenses, and fixed expenses. Included therein are various levers to pull with respect to controlling or eliminating costs and increasing operating cash flow.

Aside from industry standard cost containment initiatives, an asset manager can target two line items to rework within the overhead expense category. These are the Management and Franchise agreements; often one in the same for a Brand-managed property or two separate contracts in the case of a Franchise. The property manager is entitled to a base fee, typically between to 2 percent and 3 percent of gross revenue. There's often an incentive fee component based on a threshold of operating cash flow. If cash flow exceeds a certain point, the manager will be entitled to between 10 percent and 20 percent of incremental cash flow above the threshold. In summary, total management fees may be capped between 3 percent and 4 percent of total revenue. Franchise or License fees are somewhat similar to base fees where the Licensor (e.g. Marriott, Sheraton, and Hilton) receives a royalty and program fee which can vary between 6 percent and 9 percent of Rooms revenue.

The length of these contracts can vary greatly, which can add or detract value on the underlying real estate. A short fuse with either agreement is considered to be positive, namely because there is flexibility for repositioning or an opportunistic disposition. An asset encumbered by a long term agreement is often viewed as restrictive, where the manager may be entrenched and inflexible because of their leverage with such an institutional agreement.

An opportunity exists with unlocking operating cash flow encumbered by management and franchise agreements by structuring a mutually beneficial deal between the parties. In return for a reduction in fees, an owner can offer additional term, restructure fees or commit to certain capital expenditures. The business rationale is summarized in the following diagram. Each party benefits in certain ways, but ultimately the restructure provides the much needed incremental cash flow to owner for debt service.



Asset Managers have significant negotiating leverage when it comes to these situations. If there were to be a negative outcome in negotiations between the owner and the manager, the property could go into foreclosure which would place the management contract at risk and eliminate any possibility of capital investment for renovations in the near future. Fee income and a strong product are two items near and dear to management companies and franchisors. The product condition relates back to brand image and the ability to drive sales thereby producing fee income. The downside of not reworking contract terms can very well be more costly than the near term loss of fee income.

Case Study Overview

This case study overview demonstrates several workout methods utilized on a distressed hotel asset located in the Washington, DC metropolitan area. After nearly a year of concurrent negotiations between the owner and lender, and owner and manager, the property's mortgage loan and management agreement were successfully restructured in 2010. This overview highlights best practices that can be applied by asset managers faced with similar challenges, and of course proactively in the future. Details related to the property's identity have been excluded from this document to maintain proper confidentiality.

The subject property is a full-service suburban hotel encumbered by a long-term management agreement with an international hotel chain. The following table outlines additional key property information:

Property Overview	
Acquisition	2Q 2007
Purchase Price	$76,000,000
Loan Amount	$56,000,000
Equity	$20,000,000

The purchase price equates to an investment of well over $200,000 per key, and a loan-to-value ratio of approximately 74 percent. The going in capitalization rate was approximately 6.6% based on net operating income for 2007. The loan terms were 5.9 percent fixed and interest only which resulted in annual debt service of $3.3 million and 1.5x debt coverage upon acquisition. It is interesting to compare the anatomy of the subject deal with industry trends, specifically investment criteria from the same time period. The table on the following page presents a side by side analysis, highlighting an aggressive loan-to-value ratio that may come back to haunt the owner.

Investment Comparison		
	Subject Hotel	Industry Average (1)
Purchase Price Per Key	$240,000	$183,000
Loan To Value Ratio	74%	69.8%
Interest Rate	5.9%	6.9%

Source: PKF Hospitality Research - 2010 Hotel Investment Survey

Since 2007, market fundamentals deteriorated along with financial crisis and recession in 2009. During that time, net operating income declined to $2.6 million in 2009 or 0.8x debt coverage. The property suffered the loss of a top account, along with the recessionary effects on hotel demand. To make matters worse, the previous years of high market occupancies gave way to new hotel development in 2007 and 2008. These projects delivered in 2009 and compounded the already weak market fundamentals. Faced with accumulating operating shortfalls, the asset manager needed to react quickly.

Through qualitative and quantitative research, the asset's existing conditions were evaluated. These are summarized in the following S.W.O.T. analysis:

<u>Strengths</u> – Brand affiliation, guestroom size	<u>Weaknesses</u> – tertiary location, over-saturated supply, unfavorable management contract
<u>Opportunities</u> – meeting space expansion, renovate lobby & restaurant/lounge	<u>Threats</u>- prolong downturn from excess supply, permanent loss of demand generators

The analysis pinpointed the management agreement as a major restrictor on operating cash flow. Business terms overly favored the management company whereby the base fee was 4 percent of total revenue, there was no threshold or owner's priority governing incentive fees and 5 percent of total revenue was being allocated to the capital reserve. In total, these fees accounted for nearly 10 percent of total revenue, or $1.5 million based on the revenue forecast of $15 million.

The owner's finance and asset management teams worked as a team to restructure the loan and management agreement in the following ways:

- The $56 million loan note was split into a $42 million A note and $14 million B note. The B note will not accrue interest, and can be paid off on a capital event.
- Owner committed to executing a renovation plan on the hotel lobby, restaurant and lounge. The project will eliminate a competitive disadvantage, improve revenue capture and provide more functional, versatile space.
- Incentive management fees were eliminated until the operator reached an owner's priority of $3.3 million. The fee will be 10 percent of incremental cash flow above the priority.
- With $1.3 million existing in the capital reserve, the contribution was reduced to 1 percent of total sales from 2010 through 2012. The contribution would then increase to 4 percent of total revenue in 2013 and thereafter.

In return for the above, the owner used capital investment as a negotiating tactic with the bank. It was well recognized by all sides that the renovation was needed, so the commitment to execute these plans spurred conversations with the management company with respect to fee relief. The increased cash flow put the owner in a better position to meet debt service requirements, thereby saving the hotel from further distress and even foreclosure. The management company received a mere ten year extension, to an already long term contract. The asset manager secured additional upside in the deal that allows for the hotel to be converted to a franchise in 2013. This greatly improves the flexibility for the owner for an opportunistic sale, and repositioning since the next major cycle of guestroom renovations will be needed at that time. The net benefit of the deal for the owner is increased operating cash flow, better allocation of capital and a flexible exit strategy.

Conclusion

In conclusion, the peak transaction and lending environment in late 2006 through the majority of 2007 has created challenges for the many stakeholders in the hotel real estate industry. The downward spiral ends with the asset manager whom must solve the problem through workout methods and implement strategies to preserve value. The practicum thesis identified the role of an asset manager in the workout process; both the approach with the lender and the various methods to affect positive change at the asset level. The case study example proves that a balanced, well planned approach to a workout can result in a win / win situation for all parties and ultimately a second chance for owners.

Appendix A

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Appendix B

TABLES

Table II: U.S. Hotel Transaction Volume

Year	$ Billion
1995	$3.9
1996	$8.3
1997	$9.7
1998	$10.1
1999	$4.9
2000	$5.8
2001	$5.2
2002	$3.2
2003	$6.8
2004	$17.9
2005	$20.7
2006	$32.9
2007	$45.0
2008	$8.5
2009	$9.7

Source: Jones Lang LaSalle Hotels

Table III: Hotel Buyer Composition

	Peak 4Q06-3Q07	Credit Crunch 4Q07-3Q08	Financial Crisis 4Q08-1Q09
Private	25%	50%	80%
Equity Fund	22%	21%	8%
Public	5%	4%	0%
International	30%	9%	3%
Institutional	16%	10%	0%
Other	2%	6%	9%

Source: Real Capital Analytics

Table IV: U.S. Hotel CMBS Issuances

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
U.S. Hotel $B	$3.6	$4.0	$1.7	$4.7	$6.5	$15.9	$30.0	$32.3	$3.0	$0.0
Total US $B	$46.8	$67.1	$52.0	$77.8	$93.3	$168.9	$202.6	$230.7	$12.1	$2.9
Hotel % of Total	7.7%	6.0%	3.3%	6.0%	7.0%	9.4%	14.8%	14.0%	25.0%	0.0%

Source: Commercial Mortgage Alert

Table V: U.S. Historical RevPAR

Year	RevPAR		Y/Y % Chg.
1987	$33.63		
1988	$34.88		3.7%
1989	$36.88		5.7%
1990	$37.43	Peak	1.5%
1991	$36.47	Trough	-2.6%
1992	$37.38		2.5%
1993	$38.79		3.8%
1994	$41.01		5.7%
1995	$43.18		5.3%
1996	$45.83		6.1%
1997	$48.00		4.7%
1998	$49.58		3.3%
1999	$50.90		2.7%
2000	$54.02	Peak	6.1%
2001	$50.26		-7.0%
2002	$48.91	Trough	-2.7%
2003	$49.15		0.5%
2004	$53.03		7.9%
2005	$57.56		8.5%
2006	$62.02		7.7%
2007	$65.62	Peak	5.8%
2008	$64.42		-1.8%
2009	$53.53	Trough	-16.9%

Source: Smith Travel Research

Table VI: U.S. Annual Hotel Supply Change

Year	% Change
1990	2.8%
1991	1.2%
1992	0.9%
1993	1.0%
1994	1.5%
1995	1.9%
1996	2.9%
1997	3.7%
1998	3.6%
1999	3.3%
2000	2.6%
2001	1.8%
2002	1.5%
2003	0.9%
2004	0.0%
2005	-0.2%
2006	0.8%
2007	1.9%
2008	3.2%
2009	2.2%
2010	1.0%
2011	0.7%
2012	0.9%

Source: Smith Travel Research

Table VII: Average LTV of CMBS Loan Maturities By Year

Year	LTV %
2009	54.0%
2010	62.0%
2011	65.0%
2012	67.0%
2013	63.0%
2014	65.0%
2015	66.0%
2016	68.0%
2017	69.0%
2018	66.0%

Source: Realpoint